

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1360-02  
Bill No.: HCS for HB 965  
Subject: Medicaid; Health Care  
Type: Original  
Date: April 2, 2015

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Bill Summary: This proposal changes the laws regarding the provision of telehealth services.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
General Revenue	(\$292,744)	(\$180,443)	(\$183,109)	(\$147,102)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$292,744)</b>	<b>(\$180,443)</b>	<b>(\$183,109)</b>	<b>(\$147,102)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
Various Other State Funds	(\$42,791)	(\$47,632)	(\$48,154)	(\$48,684)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$42,791)</b>	<b>(\$47,632)</b>	<b>(\$48,154)</b>	<b>(\$48,684)</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
Federal Funds*	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenses exceed \$250,000 annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
General Revenue	1.2	1.2	1.2	1.2
Various Other State Funds	0.6	0.6	0.6	0.6
Federal	1.2	1.2	1.2	1.2
<b>Total Estimated Net Effect on FTE</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** originally prepared a fiscal note for this bill without all of the agency responses. Oversight has since obtained the agency responses and upon review of those responses, believes the original fiscal note should be updated. Therefore, this fiscal note updates the original by providing agency responses that include applicable changes for the language of the current proposal.

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state section 208.670.4 adds the use of asynchronous store-and-forward technology to the practice of telehealth.

In 2014 there were 16,478 telehealth visits. MHD estimates that 20% of the telehealth visits will be the amount of new asynchronous store-and-forward visits resulting in 3,296 ( $16,478 * 20\%$ ) visits. MHD estimates that the costs to transmit the data from the patient site to the distant site will be \$21.90 per transmission for a total cost of \$72,183 ( $3,296 \text{ visits} * \$21.90$ ). MHD estimates that 2,472 ( $3,296 * 75\%$ ) store-and-forward visits will require additional care. MHD estimates that it will cost \$63 for each additional care visit for a total cost of \$155,736 ( $2,472 * \$63$ ).

The total cost for asynchronous store-and-forward in Fiscal Year (FY) 2016 is \$227,919 ( $\$72,183 + \$155,736$ ). Since there will be only 10 months in FY 2016, the cost will be \$189,933 ( $\$227,919 * 10/12$ ). A 1.9% inflation factor was used to calculate FY 2017 and beyond.

With patients utilizing store-and-forward, there would be a non-emergency medical transportation (NEMT) savings of \$25 per visit for a total savings of \$82,400 ( $\$25 * 3,296 \text{ visits}$ ). MHD doesn't expect to see these savings until FY 2018 due to rate development methodologies in NEMT capitation payments (there is a two year lag to incorporate the lower NEMT utilization into the rates). The \$82,400 was trended using a 1.9% inflation factor to get to the savings for FY 18. MHD assumes it will see 75% of the FY 2018 savings due to FY 2016 costs only being for 10 months.

A State Plan Amendment (SPA) would be required for the asynchronous store-and-forward services.

For Section 208.671 there would be a Medicaid Management Information System (MMIS) cost to update the system. MHD estimates that it will cost \$200,000 in system work and \$75,000 in staff time to do the work for a total of \$275,000.

ASSUMPTION (continued)

MHD estimates it will need 1.25 additional FTEs at the Management Analysis Specialist II position for system work, integration, evaluation, and to establish guidelines.

**Oversight** assumes the MHD would not hire 0.25 FTE Management Analysis Specialist II and would assign the duties to existing staff.

Section 208.673 establishes the "Telehealth Services Advisory Committee." MHD estimates it will need 1 additional FTE at the Program Development Specialist level to coordinate the new advisory committee, coordinate between state departments, oversee the program, plan agendas, attend meetings, take minutes, oversee filling vacancies, etc.

Section 208.675 and 208.677 lists eligible health care providers and originating sites for telehealth services. 13 CSR 70-3.190 describes MO HealthNet's (MHD) telehealth services and does not include School, MHD participant's home, and clinical designated area pharmacy as an originating site. After further research, MHD assumes School based telehealth services would likely increase the utilization of Behavioral Health counseling services. Behavioral health counseling is currently considered the only allowable service through telehealth that can be billed by schools. MHD reimburses schools for the federal share of costs incurred. The current FY2014 spend for Behavioral Health counseling is \$477,000 for 12,639 annual visits. Assuming a 5% increase in number of visits to the school based originating site, this would add \$5,846 in originating fees in FY 2016 (632 visits x \$9.25 federal portion of originating site fees per visit as schools pay the state share). There is also a savings to NEMT costs for providing this service in schools. Due to NEMT capitation rate methodologies, there is a two year lag to incorporate the lower NEMT utilization in to the rates. Initially, MHD would see increased costs in FY 2016 and FY 2017 and NEMT savings would begin to occur in FY 2018 and be fully implemented into the rates by FY 2019.

MHD assumes that the requirements for adding a clinical designated area in a pharmacy for telehealth services would be cost prohibitive to the pharmacy and will not have a fiscal impact on MHD.

13 CSR 70-3.190 Telehealth Services requires the telehealth service to be performed on a "private, dedicated telecommunications line approved through the Missouri Telehealth Network (MTN). The telecommunications line must be secure and utilize a method of encryption adequate to protect the confidentiality and integrity of the Telehealth service information. The Missouri Telehealth Network must also approve the equipment that will be used in Telehealth service." It further states that both a distant and originating site shall use authentication and identification to ensure confidentiality. In addition, the Code of State Regulations (CSR) specifies that the originating site (patient location) must ensure immediate availability of clinical staff during a Telehealth encounter in the event a participant requires assistance.

ASSUMPTION (continued)

Based on these requirements, MHD assumes in-home telehealth would be cost prohibitive to MHD participants and there would be no fiscal impact.

Section 208.686 provides that subsection to appropriations, the department shall establish a statewide program that permits reimbursement under the MHD program for home telemonitoring services if it would be cost effective and feasible.

MHD is currently running reports to see if telemonitoring is cost effective. Assuming that it is cost effective, there will be no impact to MHD. This bill would make telemonitoring a state plan service which would require a State Plan Amendment (SPA).

MHD estimates it will need 1 FTE at the Social Services Manager B2 position for evaluation of the cost effectiveness of the service.

The total costs for this proposal are:

FY 2016 (10 months): Total \$699,206 (GR \$298,923; Other \$45,880; Federal \$354,403);  
FY 2017: Total \$488,336 (GR \$185,234; Other \$50,026; Federal \$253,076); and  
FY 2019: Total \$395,977 (GR \$151,411; Other \$50,839; Federal \$193,727) fully implemented.

**Oversight** will calculate FY 2018 costs and present them in the fiscal note table.

Officials from the **DSS, Division of Legal Services (DLS)** state section 208.868.1 provides that rules are to be promulgated if the department decides to permit reimbursement for home telemonitoring services.

This legislation will require the DLS to provide technical assistance in the drafting of administrative regulations governing the program. DLS estimates that up to 20 hours of work may be involved. DLS anticipates that the work can be performed using existing resources.

Officials from the **University of Missouri (UM)** state the fiscal impact is difficult to determine. However, it is possible that the proposal will have a positive fiscal impact on the University.

**Oversight** assumes “possible” to be speculative and will not present the potential unknown impact in the fiscal note.

Officials from the **Kansas Cit Public School District** state the proposal will have no negative fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Office of the Governor (GOV)** do not anticipate the GOV will incur added costs as a result of this proposal. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Department of Mental Health (DMH)** state the proposed language would not place any additional fiscal impact on DMH as the Community Mental Health Clinics are already providing and billing for telehealth services. However, the proposal could result in more access to services.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Joint Committee on Administrative Rules** and the **Carondelet Leadership Academy** each assume the proposal would not fiscally impact their respective agencies.

Officials from the following **hospitals**: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital and Washington County Memorial Hospital did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **schools**: Blue Springs Public Schools, Branson Public Schools, Caruthersville School District, Charleston R-I School District, Cole R-I School District, Columbia Public Schools, Everton R-III School District, Fair Grove Schools, Francis Howell

ASSUMPTION (continued)

Public Schools, Fulton Public Schools, Harrisonville School District, Independence Public Schools, Jefferson City Public Schools, Kirbyville R-VI School District, Kirksville Public Schools, Lee Summit Public Schools, Macon School District, Malta Bend School District, Mexico Public Schools, Monroe City R-I School District, Nixa Public Schools, Parkway Public Schools, Pattonville School District, Raymore-Peculiar R-III School District, Raytown School District, Riverview Gardens School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard R-II School District, Springfield Public Schools, St. Joseph School District, St. Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools, Warren County R-III School District, Waynesville Public School District, Allen Village School and KIPP Endeavor Academy in Kansas City did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2019)
<b>GENERAL REVENUE FUND</b> (§§208.670 - 208.677)				
<u>Savings - DSS-MHD</u>				
Reduced NEMT costs	\$0	\$0	\$0	\$38,717
<u>Costs - DSS-MHD</u>				
MMIS system costs (§208.671)	(\$137,500)	\$0	\$0	\$0
Program distributions for asynchronous telehealth services (§208.670.4)	(\$69,660)	(\$85,181)	(\$86,800)	(\$88,450)
Total <u>Costs</u> - DSS-MHD	<u>(\$207,160)</u>	<u>(\$85,181)</u>	<u>(\$86,800)</u>	<u>(\$88,450)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2019)
<b>GENERAL REVENUE FUND (continued)</b> (§§208.670 - 208.677)				
<u>Costs - DSS-MHD</u>				
Personal service	(\$48,273)	(\$58,507)	(\$59,092)	(\$59,683)
Fringe benefits	(\$25,104)	(\$30,427)	(\$30,731)	(\$31,038)
Equipment and expense	<u>(\$12,207)</u>	<u>(\$6,328)</u>	<u>(\$6,486)</u>	<u>(\$6,648)</u>
Total <u>Costs - DSS-MHD</u>	<u>(\$85,584)</u>	<u>(\$95,262)</u>	<u>(\$96,309)</u>	<u>(\$97,369)</u>
FTE Change - DSS-MHD	1.2 FTE	1.2 FTE	1.2 FTE	1.2 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$292,744)</u></b>	<b><u>(\$180,443)</u></b>	<b><u>(\$183,109)</u></b>	<b><u>(\$147,102)</u></b>
Estimated Net FTE Change on the General Revenue Fund	1.2 FTE	1.2 FTE	1.2 FTE	1.2 FTE
<b>OTHER STATE FUNDS (various)</b> (§§208.670 - 208.677)				
<u>Costs - DSS-MHD</u>				
Personal service	(\$24,137)	(\$29,254)	(\$29,546)	(\$29,841)
Fringe benefits	(\$12,552)	(\$15,214)	(\$15,365)	(\$15,519)
Equipment and expense	<u>(\$6,102)</u>	<u>(\$3,164)</u>	<u>(\$3,243)</u>	<u>(\$3,324)</u>
Total <u>Costs - DSS-MHD</u>	<u>(\$42,791)</u>	<u>(\$47,632)</u>	<u>(\$48,154)</u>	<u>(\$48,684)</u>
FTE Change - DSS-MHD	0.6 FTE	0.6 FTE	0.6 FTE	0.6 FTE
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS (various)</b>	<b><u>(\$42,791)</u></b>	<b><u>(\$47,632)</u></b>	<b><u>(\$48,154)</u></b>	<b><u>(\$48,684)</u></b>
Estimated Net FTE Change on Other State Funds (various)	0.6 FTE	0.6 FTE	0.6 FTE	0.6 FTE



<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2019)
<b>FEDERAL FUNDS</b> (§§208.670 - 208.677)				
<u>Income</u> - DSS-MHD				
Increase in program reimbursements	\$345,294	\$248,285	\$252,423	\$256,648
<u>Savings</u> - DSS-MHD				
Reduced NEMT costs	\$0	\$0	\$0	\$66,844
<u>Costs</u> - DSS-MHD				
MMIS system costs (\$208.671)	(\$137,500)	\$0	\$0	\$0
Program distributions for asynchronous telehealth services (§208.670.4)	<u>(\$122,210)</u>	<u>(\$153,023)</u>	<u>(\$156,114)</u>	<u>(\$159,279)</u>
Total <u>Costs</u> - DSS-MHD	<u>(\$259,710)</u>	<u>(\$153,023)</u>	<u>(\$156,114)</u>	<u>(\$159,279)</u>
<u>Costs</u> - DSS-MHD				
Personal service	(\$48,273)	(\$58,507)	(\$59,092)	(\$59,683)
Fringe benefits	(\$25,104)	(\$30,427)	(\$30,731)	(\$31,038)
Equipment and expense	<u>(\$12,207)</u>	<u>(\$6,328)</u>	<u>(\$6,486)</u>	<u>(\$6,648)</u>
Total <u>Costs</u> - DSS-MHD	<u>(\$85,584)</u>	<u>(\$95,262)</u>	<u>(\$96,309)</u>	<u>(\$97,369)</u>
FTE Change - DSS-MHD	1.2 FTE	1.2 FTE	1.2 FTE	1.2 FTE
<u>Loss</u> - DSS-MHD				
Reduction in NEMT reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$66,844)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Estimated Net FTE Change on Federal Funds	1.2 FTE	1.2 FTE	1.2 FTE	1.2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2019)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT - Small Business

This proposal may positively impact small business healthcare providers by allowing them to provide telehealth services to participants in their homes or schools.

#### FISCAL DESCRIPTION

This proposal changes the laws regarding the provision of telehealth services under the MO HealthNet Program. The proposal requires the Department of Social Services to develop and implement a system to reimburse providers of services under the MO HealthNet Program for services performed using telemedicine medical services or telehealth services. The department must establish rules as specified in the proposal when developing the system. The department is required to encourage health care providers and health care facilities to participate as telemedicine medical service providers or telehealth service providers in the health care delivery system, and the department must not require that a service be provided to a patient through telemedicine medical services or telehealth services if the service can reasonably be provided by a physician through a face-to-face consultation with the patient in the community in which the patient resides or works. The department's rules must refer to the site where the patient is physically located as the patient site and refer to the site where the physician or health care professional providing the telemedicine medical service or telehealth service is physically located as the distant site. The proposal prohibits the department from reimbursing a health care facility for telemedicine medical services or telehealth services provided to a MO HealthNet recipient unless the facility complies with the minimum standards adopted under these provisions.

By December 1 of each even-numbered year, the department is required to report to the Speaker of the House of Representatives and the President Pro Tem of the Senate on the effects of telemedicine medical services, telehealth services, and home telemonitoring services on the MO HealthNet Program in the state. The report must include the number of physicians, health care professionals, and licensed health care facilities using telemedicine medical services, telehealth services, or home telemonitoring services; the geographic and demographic disposition of the physicians and health care professionals; the number of patients receiving telemedicine medical services, telehealth services, and home telemonitoring services; the types of services being provided; and the cost of utilization of telemedicine medical services, telehealth services, and home telemonitoring services to the program.

### FISCAL DESCRIPTION (continued)

The proposal requires the department to establish and adopt minimum standards for an operating system used in the provision of telemedicine medical services, telehealth services, or home telemonitoring services by a health care facility participating in the MO HealthNet Program including standards for electronic transmission, software, and hardware. If the department determines that establishing a statewide program that permits reimbursement under the MO HealthNet Program for home telemonitoring services would be cost effective and feasible, the department must establish the program. The program must: (1) Provide that home telemonitoring services are available only to individuals who meet conditions specified in the proposal; (2) Ensure that clinical information gathered by a home health agency or hospital while providing home telemonitoring services is shared with the patient's physician; and (3) Ensure that the program does not duplicate any disease management program services provided by MO HealthNet. If, after implementation, the department determines that the program established under the provisions of the proposal is not cost effective, the department may discontinue the program and stop providing reimbursement under the MO HealthNet Program for home telemonitoring services. The department must determine whether the provision of home telemonitoring services to individuals who are eligible to receive benefits under both the MO HealthNet and Medicare programs achieves cost savings for the Medicare Program.

The provisions of the proposal relating to the establishment of the statewide program if it is cost effective must expire September 1, 2019, unless reauthorized by the General Assembly. By December 31, 2016, the department must submit a report to the Governor, President Pro Tem of the Senate, and the Speaker of the House of Representatives regarding the establishment and implementation of the program under these provisions. The report must include information specified in the proposal. If, before implementing any of these provisions, it is determined that a waiver or authorization from a federal agency is necessary for implementation, the department must request the waiver or authorization and may delay implementation until the waiver or authorization is granted.

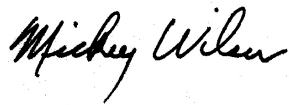
This legislation is not federally mandated, would not duplicate any other program but may require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Health and Senior Services  
Department of Mental Health  
Department of Social Services -  
    MO HealthNet Division  
Office of the Governor  
Joint Committee on Administrative Rules

SOURCES OF INFORMATION (continued)

Office of Secretary of State  
University of Missouri  
Kansas City School District  
Carondelet Leadership Academy

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 2, 2015

Ross Strobe  
Assistant Director  
April 2, 2015